



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

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Fifth District

July 21, 2009

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich  
  
From: William T Fujioka  
Chief Executive Officer

## RETROACTIVE CONTRACTS ANNUAL SURVEY RESULTS

On May 22, 2007, your Board issued a series of instructions to limit the occurrences of retroactive payment requests, including a directive to this Office to provide an annual report to the Board identifying all retroactive and pending retroactive payments approved by the Board for each department.

In response to your instructions, we established the Retroactive Contract Review Committee (RCRC), a three-member committee composed of staff from Auditor-Controller, Internal Services Department, and this Office in August 2007 to review any retroactive contract before it could be placed on your Board's agenda for approval. As part of the RCRC review process, departments are required to prepare a report explaining the circumstances that led to the retroactive occurrence, as well as corrective action measures implemented to prevent recurrence and any disciplinary actions. For each retroactive matter, the RCRC provides a final recommendation that will be reflected in the subsequent Board letter.

As indicated in Attachment I, departments presented three retroactive occurrences involving eight contracts requiring retroactive payments totaling \$1,477,764 to the RCRC during FY 2008-09. The types of services contracted varied by department. In most of these scenarios, the reason for the retroactive situation was primarily attributable to inadequate monitoring, resulting in the contract expiring while services were still being provided by the vendor. One instance involved a company merger that was not communicated to the department.

### Pending Retroactive Contracts Survey Results

In addition to the above actions, this Office surveyed departments as to their pending retroactive contracts for FY 2009-10 and only the Department of Mental Health (DMH) indicated they have

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a pending retroactive contract requiring your Board's approval for the current fiscal year. Please see Attachment II for information on that pending retroactive contract. DMH will appear before the RCRC to address this retroactive situation.

Based upon our analysis of the survey information, we determined that the vast majority of departments have appropriate procedures and policies in place to avoid retroactive contracts. The single pending retroactive incident disclosed by our survey appears to indicate that departments are by and large enhancing contract monitoring activities to avoid such situations.

### **Proactive Measures**

To further lessen the occurrence of retroactive contracts, the eCAPS system was modified to include two new "Alert Reports" that identify contracts within six and nine months of their expiration date, as well as a new "Error Report" to identify contracts with no end date.

Additionally, on June 30, 2009, your Board established four contract-specific classifications for positions that develop and administer contracts as a primary function, based on this Office's countywide Contracting Occupational Study. This new series, ranging from entry-level to section manager, reflects the increasing complexity of the County's contracting function and the integral role that contract administration plays in managing the vast and varied operations across the County.

As referenced in the June 30 Board letter, we are also studying over 200 positions assigned to perform contract development and administration as their primary work, and intend to return to your Board within a few months with our final recommendations to reclassify these positions, where appropriate, throughout the County. Ultimately, these actions will further strengthen and provide consistency of contracting operations and help eliminate retroactive contracts.

As part of our ongoing efforts to reduce retroactive contracts, the RCRC will continue to work with affected departments to assess the reasons that led to non-compliance and develop recommendations to improve their processes. While there will always be a human element subject to unintentional error involved in the contracting process, the measures mentioned above, as well as improved policies and procedures, should minimize the occurrence of retroactive contracts.

Per your Board's instruction, we will continue to report to your Board on an annual basis on retroactive contracts. Should you have questions regarding this memorandum, please let me know, or have your staff contact James Hazlett at (213) 974-1148 or [jhazlett@ceo.lacounty.gov](mailto:jhazlett@ceo.lacounty.gov).

WTF:ES:MKZ  
FC:JH:pg

### **Attachments**

c: All Department Heads  
Administrative Deputies  
Contract Managers' Network

## RETROACTIVE CONTRACTS REVIEW COMMITTEE CHART

FISCAL YEAR 2008-09

RCRC MEETING DATE(S)	DEPARTMENT	PROGRAM NAME (# OF CONTRACTS IMPACTED) and CONTRACTORS	CONTRACT AMOUNT	COMMENTS
March 5, 2009	Mental Health	<u>HIPPA Remediation Project (1)</u>  a) Sierra Systems Group Inc.	<b>\$1,281,564</b>	DMH was only notified after the vendor had merged with a new company; the Department requested the Board to retroactively approve the new company to provide the services. The Department also sought approval for retroactive payment for services that exceeded the contract amount; the Department incorrectly assumed the maximum amount was increased consistent with the automatic term extension.
July 30, 2008	Probation	<u>Youth Services (4)</u>  a) Asian American Drug Abuse Program b) Special Services for Groups c) Starview Children & Family Services d) Soledad Enrichment Action	<b>\$122,391</b>  a) \$23,945 b) \$37,370 c) \$8,376 d) \$52,700	Each of the four retroactive issues involved the contractors receiving youth service referrals from Probation, and providing services to those youth, beyond the dollar limits of the original contract terms, prior to Probation exercising its delegated authority to increase each contract's dollar limit.
July 31, 2008	Public Library	<u>Employment Services (3)</u>  a) AppleOne Employment Services b) Helpmate Staffing Services c) Ladera Career Paths, Inc.	<b>\$73,809</b>  a) \$32,499 b) \$41,310 c) Not Used	Public Library did not properly execute first renewal option year for each agreement. These three agreements were approved as a unit.
<b>Totals</b>			<b>\$1,477,764</b>	

07/1/09

## PENDING RETROACTIVE CONTRACTS

FISCAL YEAR 2009-10

DEPARTMENT	SERVICES	CONTRACTOR	AMOUNT	COMMENTS
Mental Health	Fee For Service Inpatient Hospital Services.	Success Healthcare, LLC	\$56,000	Board letter is being drafted. Success Healthcare purchased Intercare Health Services and continued services without a new contract.

07/1/09